



**Billing Code 3110-01**

**OFFICE OF MANAGEMENT AND BUDGET**

**2017 North American Industry Classification System (NAICS) – Updates for 2022; Update of Statistical Policy Directive No. 8, Standard Industrial Classification of Establishments; and Elimination of Statistical Policy Directive No. 9, Standard Industrial Classification of Enterprises**

**AGENCY:** Office of Information and Regulatory Affairs, Office of Management and Budget, Executive Office of the President.

**ACTION:** Notice of Solicitation for Proposals To Revise Portions of NAICS for 2022, Solicitation of Comments on the Update of Statistical Policy Directive No. 8, and Solicitation of Comments on the Elimination of Statistical Policy Directive No. 9.

**SUMMARY:** The Office of Management and Budget OMB, through its Economic Classification Policy Committee (ECPC), is seeking comment on potential changes to the structure and content of the North American Industry Classification System (NAICS).

There are seven parts in the **SUPPLEMENTARY INFORMATION** section below. Part I provides background on NAICS. Part II includes a solicitation of proposals for new and emerging industries. Part III solicits public comments on the NAICS treatment of Electronic Shopping in Retail Trade. Part IV asks for comments on the concept of Internet Publishing and Broadcasting and the potential to eliminate the industry in NAICS 2022. Part V solicits comments on a proposed revision to OMB's Statistical Policy Directive No. 8, Standard Industrial Classification of Establishments. Part VI requests comments on the advisability of withdrawing OMB Statistical Policy Directive No. 9, Standard Industrial Classification of Enterprises. Finally, Part VII presents

notification of a method to publicize corrections for errors and omissions that are identified in NAICS.

In soliciting comments about revising NAICS, the ECPC does not intend to open the entire classification system for substantial change in 2022. The ECPC will consider public comments and proposals for changes or modifications that advance the goals of NAICS as outlined in Part I of the **SUPPLEMENTARY INFORMATION** section below.

**DATES:** To ensure consideration of comments on this Notice, comments must be provided in writing no later than 60 days from the publication date of this notice. Because of delays in the receipt of regular mail related to security screening, respondents are encouraged to send comments electronically (see **ADDRESSES**, below).

**ADDRESSES:** Submit comments through *www.regulations.gov*—a Federal E-Government website that allows the public to find, review, and submit comments on documents that agencies have published in the **Federal Register** and that are open for comment.. Simply type “USBC-2020-0004” (in quotes) in the Comment or Submission search box, click Go, and follow the instructions for submitting comments. Comments received by the date specified above will be included as part of the official record. Please include the Docket ID (USBC-2020-0004) and the phrase “2017 North American Industry Classification System (NAICS) - Updates for 2022 Comments” at the beginning of your comments. Please also indicate which questions described in the **SUPPLEMENTARY INFORMATION** of this notice are addressed in your comments.

Comments submitted in response to this notice may be made available to the public and subject to disclosure under the Freedom of Information Act. For this reason,

please do not include in your comments information of a confidential nature, such as sensitive personal information or proprietary information. If you send an email comment, your email address will be automatically captured and included as part of the comment that is placed in the public docket; however, [www.regulations.gov](http://www.regulations.gov) does include the option of commenting anonymously. Please note that responses to this public comment request containing any routine notice about the confidentiality of the communication will be treated as public comments that may be made available to the public notwithstanding the inclusion of the routine notice.

*Electronic Availability:* **Federal Register** notices are available electronically at [www.federalregister.gov/](http://www.federalregister.gov/). This document is also available on the NAICS website at [www.census.gov/naics](http://www.census.gov/naics). This site contains previous NAICS United States **Federal Register** notices, ECPC Issues Papers, ECPC Reports, the structure and industry definitions for NAICS United States 2017, 2012, 2007, 2002, and 1997, and related documents.

*Public Review Procedure:* All comments and proposals received in response to this notice will be available for public inspection. OMB will publish all ECPC recommendations for changes to NAICS for 2022 resulting from this notice in the

**Federal Register** for review and comment prior to final action.

**FOR FURTHER INFORMATION CONTACT:** NAICS classification staff may be reached by email at [econ.naics2022@census.gov](mailto:econ.naics2022@census.gov). Please note: Communication through this email will not be included in the record for USBC-2020-0004. Comments should be submitted through [www.regulations.gov](http://www.regulations.gov), as described in the **ADDRESSES** section above.

For information about this request for comments, contact Kerrie Leslie, Office of Management and Budget, 9215 New Executive Office Building, 725 17<sup>th</sup> St. NW, Washington, DC 20503, telephone (202) 395-1093.

**SUPPLEMENTARY INFORMATION:** Under the authority of the *Budget and Accounting Procedures Act* of 1950 (31 U.S.C. 1104(d)) and the *Paperwork Reduction Act* of 1995 (44 U.S.C. 3504(e)), the Office of Management and Budget (OMB), through its Economic Classification Policy Committee (ECPC), is soliciting proposals from the public for changes to the structure and content of the North American Industry Classification System (NAICS) for inclusion in a potential 2022 revision. OMB, through the ECPC, is also soliciting comments on updating Statistical Policy Directive No. 8 and eliminating Statistical Policy Directive No. 9.

## **I. Background of NAICS**

NAICS is a system for classifying establishments (individual business locations) by type of economic activity. Its purposes are: (1) to facilitate the collection, tabulation, presentation, and analysis of data relating to establishments; and (2) to promote uniformity and comparability in the presentation and analysis of statistical data describing the North American economy. Federal statistical agencies use NAICS to collect and/or publish data by industry. It is also widely used by State agencies, trade associations, private businesses, and other organizations.

Mexico's *Instituto Nacional de Estadística y Geografía* (INEGI), Statistics Canada, and the United States Office of Management and Budget (OMB), through the ECPC, collaborated on NAICS to make the industry statistics produced by the three countries comparable. NAICS is the first industry classification system developed in

accordance with a single principle of aggregation - producing units that use similar production processes should be grouped together in the classification. NAICS also reflects changes in technology and in the growth and diversification of services in recent decades. Industry statistics presented using NAICS 2017 are extensively comparable with statistics compiled according to the latest revision of the United Nations' International Standard Industrial Classification (ISIC, Revision 4).

For these three countries, NAICS provides a consistent framework for the collection, tabulation, presentation, and analysis of industry statistics used by government policy analysts, by academics and researchers, by the business community, and by the public. Please note that NAICS is designed and maintained solely for statistical purposes to improve and keep current this Federal statistical standard. Consequently, although the classification may also be used for various nonstatistical purposes (e.g., for administrative, regulatory, or taxation functions), the requirements of government agencies or private users that choose to use NAICS for nonstatistical purposes play no role in its development or revision.

Four principles that guide NAICS development are:

- (1) NAICS is erected on a production-oriented conceptual framework. This means that producing units that use the same or similar production processes are grouped together in NAICS.
- (2) NAICS gives special attention to developing production-oriented classifications for (a) new and emerging industries, (b) service industries in general, and (c) industries engaged in the production of advanced technologies.
- (3) Time series continuity is maintained to the extent possible.

(4) The system strives for compatibility with the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev. 4) of the United Nations.

The ECPC is committed to maintaining the principles of NAICS as it develops further refinements. NAICS uses a hierarchical structure to classify establishments from the broadest level to the most detailed level using the following format:

Sector	2-digit	Sectors represent the highest level of aggregation. There are 20 sectors in NAICS.
Subsector	3-digit	Subsectors represent the next, more detailed level of aggregation. There are 99 subsectors in NAICS.
Industry Group	4-digit	Industry groups are more detailed than subsectors. There are 311 industry groups in NAICS 2017.
NAICS Industry	5-digit	NAICS industries, in most cases, represent the lowest level of three-country comparability. There are 709 five-digit industries in NAICS 2017.
National Industry	6-digit	National industries are the most detailed level and represent the national level detail. There are 1,057 national industries in NAICS United States 2017.

To ensure the accuracy, timeliness, and relevance of the classification, NAICS is reviewed every five years to determine what, if any, changes are required. The 2022 review will be the fifth since OMB adopted NAICS in 1997. The ECPC recognizes the costs involved when implementing industry classification revisions in statistical programs

and the costs for data users when there are disruptions in the availability of data. The ECPC also recognizes the economic, statistical, and policy implications that arise when the industry classification system does not identify and account for important economic developments. Balancing the costs of change against the potential for more accurate and relevant economic statistics requires significant input from data producers, data providers, and data users.

NAICS version	Date Published	Federal Register
1997	April 9, 1997	62 FR 17288-17337
2002	January 16, 2001	66 FR 3826-3827
2007	May 16, 2006	71 FR 28532-28533
2012	August 17, 2011	76 FR 51240-51243
2017	August 8, 2016	81 FR 52584

Over time, as the internet became an integral part of conducting business, two industries in NAICS were created (454111, Electronic Shopping, and 519130, Internet Publishing and Broadcasting and Web Search Portals) that delineate based on mode of delivery. As utilization of the internet evolved, the structure and coding of these industries in NAICS has also evolved. This leads the ECPC to request comments on the continued usefulness of the mode of delivery (online versus in store/print) as an industry delineation criterion in Sections III and IV.

## **II. New and Emerging Industries**

NAICS is a dynamic industry classification. Every five years, the classification is reviewed to determine the need to identify new and emerging industries. The ECPC is soliciting public comments on the advisability of revising NAICS for new and emerging industries in 2022 and soliciting proposals for these new industries.

When developing proposals for new and emerging industries, please note that there are two separate economic classifications in the United States. NAICS, the industry classification, is the subject of this notice, while the North American Product Classification System (NAPCS) is a product classification. The NAPCS product system described below complements the NAICS industry system and provides an alternate way of classifying output.

NAICS classifies units according to their production function. NAICS industries group units undertaking similar activities using similar resources but does not necessarily group all similar products or outputs. NAPCS classifies the outputs of units, or in other words their products or transactions, within a demand-based conceptual framework. For example, the hypothetical product of a flu shot can be provided by a doctor's office, a hospital, or a walk-in clinic. Because these three units are classified to three different NAICS industries, data users who want information about all flu shots provided must be able to identify the individual products coming out of the units, which NAPCS is designed to do. Thus, in many cases, the need for specific statistical data can be met by aggregating product data across industries rather than by creating a new industry. This is particularly true with NAICS, which groups establishments into industries based on their primary production function. Proposals for new industries in NAICS for 2022 will be



evaluated within the context of the industry classification system to determine the most appropriate resolution. For a detailed description of the NAPCS initiative, see the April 16, 1999, **Federal Register** notice (64 FR 18984-18989) available at [www.census.gov/napcs](http://www.census.gov/napcs).

Proposals for new industries will be evaluated using a variety of criteria. As previously mentioned, each proposal will be evaluated based on the application of the production function concept, its impact on comparability within North America and with other regions, and its impact on time series. For any proposals that cross three-country levels of agreement, negotiations with Canada and Mexico, our partners in NAICS, will also influence the ECPC's recommendations on those proposals. In addition, other criteria may affect recommendations for adoption. From a practical standpoint, industries must be of appropriate size. At the national level, this is generally not a major concern but there are a variety of statistical programs that produce industry data at the regional, State, metropolitan area, or even county or local level. Proposed industries must include a sufficient number of establishments so that Federal agencies can publish industry data without disclosing information about the operations of individual firms. The ability of government agencies to classify, collect, and publish data on the proposed basis will also be taken into account. Proposed changes must be such that they can be applied by agencies within their normal processing operations. Any recommendations for change forwarded by the ECPC for consideration will also take into account the cost of making the changes. These costs can be considerable and the availability of funding to make changes is critical. The budgetary environment will be considered when the ECPC makes

recommendations. As mentioned above, certain proposals may be more adequately addressed through the identification and collection of product data.

Proposals for new or revised industries should be consistent with the production-oriented conceptual framework incorporated into the principles of NAICS. When formulating proposals, please note that an industry classification system groups the economic activities of producing units, which means that the activities of similar producing units cannot be separated in the industry classification system.

Proposals must be in writing and include the following information:

- a) Specific economic activities to be covered by the proposed industry, the proposed industry's production processes, its specialized labor skills, and any unique materials used. This detail should demonstrate that the proposed industry will group establishments with similar production processes that are unique and clearly separable from the production processes of other industries.
- b) Relationship of the proposed industry to existing NAICS United States 2017 six-digit national industries.
- c) Documentation of the size and importance of the proposed industry in the U.S.
- d) Information about the proposed industry in Canada and Mexico if available.

Proposals will be collected, reviewed, and analyzed by the ECPC. As necessary, proposals for change will be negotiated with our partners in Canada and Mexico. When this process is complete, the OMB will publish a **Federal Register** notice that contains the ECPC recommendations for additional public comment prior to a final determination of changes to NAICS for 2022.

### **III. E-commerce and Electronic Shopping in Retail Trade**

The ECPC is soliciting comments on the current treatment of electronic shopping in NAICS and proposals for industry structure change in the Retail Trade sector. NAICS currently delineates Subsector 454, Nonstore Retailers, for establishments exclusively engaged in nonstore retail trade. Data users are increasingly interested in the growth of electronic shopping. However, NAICS Subsector 454 does not present a clear picture of all online retail trade activity because it does not include online sales of store retailers. The growth of e-commerce and the pervasive nature of electronic shopping creates confusion in classification and results in aggregate data that is hard to interpret and use for strategic business decisions, policy decisions, and analysis of changes to industry practices. NAICS Industry 45411, Electronic Shopping and Mail Order Houses, is defined as comprising units that sell exclusively from a nonstore format. This distinction is problematic based on changes in retail trade practices over the past decade. In short, the industry structure in retail trade does not necessarily result in all e-commerce retail revenue being included in nonstore retail. It also does not necessarily result in all store retail revenue being included in store retail.

Changes in the use of technology and the impacts on the usefulness of the resulting data require an evaluation of the industry structure in retail trade. Currently, store retail is delineated by broad product lines, such as groceries, apparel, hardware, etc. and by specialized stores versus general merchandise stores such as department stores. Store retail includes all transactions associated with the location – in-store customer transactions as well as online transactions credited to the store even if shipped directly from a distribution center to a customer.

The growth of online intermediaries performing functions such as storage, pick and pack, and billing on behalf of retailers creates additional problems. The expansion of these third party services using online platforms on behalf of stores further clouds the content and interpretation of data using the retail trade industry structure in NAICS broken out by store and nonstore.

Retailers perform an intermediary function to get a product from the producer to the consumer. It is no longer clear whether the store vs. nonstore distinction should be determinative for classification purposes. The increasing prevalence of omni-channel distribution and variations in reporting patterns result in significant ambiguity in the interpretation and use of the industry data.

Recent developments include pop up stores, delivery lockers, online ordering with in-store pick up, store inventory fulfillment of online orders, online orders in stores when an item is out of stock, and similar practices. Each of these cases presents ambiguity for classification of in store and nonstore data.

Any change to the current industry treatment will impact time series and potential uses of the resulting data presented using NAICS. While the sector level total will include all retail sales and will not change, the distribution of those sales at lower levels of aggregation will change. Changes to the content of store and nonstore retail will have an impact on industry metrics like same store sales on a year over year basis and total location sales. Changes could also affect retailers due to existing terms of leasing arrangements.

There are several possible changes to the retail trade structure to account for the blurring of modes of sale. The first is to redefine NAICS 45411 to include establishments

primarily rather than exclusively engaged in online retail sales, with no further changes. This has the benefit of low disruption to the retail structure but will not necessarily clarify the content of the resulting data. Another option is to simply eliminate NAICS Industry 45411, and broadly use the NAICS industry structure for store retailers, maintaining separate industries for vending machine operators, fuel dealers, and other direct selling establishments. This approach would require a product or mode of sale inquiry below the industry level to identify and track online retail activity. Some programs that use NAICS could accommodate subindustry inquiries but major employment and productivity programs generally produce data at the industry level only.

#### **IV. Internet Publishing and Broadcasting**

NAICS 51931, Internet Publishing and Broadcasting and Web Search Portals, includes a wide range of activities presenting content over the internet. This NAICS industry includes online publications, online video services, social media sites, and even data brokers. The classification is easy to implement but there is growing concern that distribution of content via the internet is no longer a useful industry classification delineation.

As more entities use various modes of content delivery including over the air, via wired telecommunications networks, and over wireless telecommunications networks, it is not clear that a separation of all activities exclusively providing content over the internet is appropriate. The rise of on-demand programming through apps, the move to cord cutting, and changes in the distribution mode of traditional newspapers and periodicals can result in data that is hard to interpret and can vary based on changes in business models. The ECPC is soliciting comments on the usefulness of NAICS 51931

and proposals for changes to the concept that underlies the existing information industries. The ECPC is requesting comments on whether the internet is still a relevant industry distinction or if internet distribution should be treated as a mode of delivery with a goal of consistent treatment in Sector 44-45, Retail Trade, and Sector 51, Information. As is the case for retail trade, any changes to the industry structure in Sector 51, Information, are expected to create possibly significant time series breaks.

## **V. OMB Statistical Policy Directive No. 8, Standard Industrial Classification of Establishments**

The ECPC is soliciting public comments at the request of OMB on the advisability of formally updating Statistical Policy Directive No. 8, Standard Industrial Classification of Establishments, and seeking comments on the proposed text of the update. The current Statistical Policy Directive text mandates the use of the Standard Industrial Classification Manual, 1972, for the classification of establishments by type of industrial activity. Statistical Policy Directive No. 8 incorporates amendments and further revisions of the SIC. OMB adopted NAICS as the replacement for the SIC for statistical purposes in 1997. (62 FR 17288-17337) The SIC has not been amended or revised since 1987. The text of Statistical Policy Directive No. 8 is available for review at: [https://www.census.gov/eos/www/naics/federal\\_register\\_notices/fedregister.html](https://www.census.gov/eos/www/naics/federal_register_notices/fedregister.html). It is also available for review as a supplementary document on [www.regulations.gov](http://www.regulations.gov) within the same docket as this Federal Register Notice.

The ECPC proposes to update the text of Statistical Policy Directive No. 8 and is soliciting public comments on the proposed language included below:

## **STATISTICAL POLICY DIRECTIVE No. 8**

### **NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM;**

#### **CLASSIFICATION OF ESTABLISHMENTS**

The North American Industry Classification System (NAICS) is to be used to classify reporting establishments by types of industrial activity in which they are engaged. Details are presented in the North American Industry Classification System, United States, issued by the Office of Management and Budget as amended and revised in the future. Revisions are considered every five years in calendar years ending with 2 and 7.

#### **1. Use for Federal Nonstatistical Program Purposes**

NAICS shall not be used in the administration of any regulatory, administrative, or tax program unless the Secretary (Administrator) has first determined that the use of such industry definition is appropriate to the implementation of the program's objectives.

If the term "North American Industry Classification System" (NAICS) is to be used in the operative text of the law or regulation to define industry (or trade or commerce), language similar to the following should be used to assure sufficient flexibility: "An industry or grouping of industries shall mean a North American Industry Classification System industry or grouping of industries as defined by the Office of Management and Budget subject to such modifications with respect to individual industries or groupings of industries as the Secretary (Administrator) may determine to be appropriate for the purpose of this Act (regulation)". The use, interpretation, and application of NAICS for nonstatistical purposes is

controlled by and defined by the agencies or regulations that use the statistical standard for those nonstatistical purposes.

## **2. Titles and Descriptions**

The North American Industry Classification System, United States, manual includes titles and descriptions of the industries and an alphabetic index of illustrative activities classified to industries. It is available online at:

*[www.census.gov/naics](http://www.census.gov/naics).*

## **VI. OMB Statistical Policy Directive No. 9, Standard Industrial Classification of Enterprises**

The ECPC proposes elimination of Statistical Policy Directive No. 9, Standard Industrial Classification of Enterprises. OMB presented the Enterprise Standard Industrial Classification of Enterprises in 1974. The classification is static and has not been updated or widely adopted over the past 45 years. NAICS United States does not include a similar variant for classification of enterprises. The current text of this policy directive is available for review at:

[https://www.census.gov/eos/www/naics/federal\\_register\\_notices/fedregister.html](https://www.census.gov/eos/www/naics/federal_register_notices/fedregister.html). It is also available for review as a supplementary document on [www.regulations.gov](http://www.regulations.gov) within the same docket as this Federal Register Notice.

The ECPC is soliciting comments on the advisability of eliminating Statistical Policy Directive No. 9.



## **VII. Errors and Omissions In NAICS**

No significant errors or omissions have been identified in NAICS 2017. Any errors or omissions that are identified in NAICS in the future will be corrected and posted on the official NAICS web site at [www.census.gov/naics](http://www.census.gov/naics).

**Paul J. Ray,**

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[FR Doc. 2020-03797 Filed: 2/25/2020 8:45 am; Publication Date: 2/26/2020]